



NEWTON COMMUNITY DEVELOPMENT BUSINESS ASSISTANCE PROGRAMS

MICROENTERPRISE LOAN PROGRAM GUIDELINES

The City of Newton's Microenterprise Loan Program is designed to help low- and moderate-income (LMI) entrepreneurs start, continue, or expand businesses in Newton. The program aims to increase the microenterprise's capacity by offering support through business counseling and loan assistance. The Microenterprise Loan Program is federally funded by the City's Community Development Block Grant and administered by the Community Development Program.

Technical Assistance

The purpose of the technical assistance component is to help businesses become self-sufficient so that they can independently utilize other bank and City programs in the future. Prior to loan approval, entrepreneurs are encouraged to partake in appropriate business counseling and/or training, if necessary, through the local Small Business Development Center (SBDC) or an equivalent resource. The technical assistance component is intended to assist in the development of a business plan, as well as strengthen marketing, management, and financial capabilities. If additional business counseling is required by the City, either prior to loan approval or throughout the course of the loan, the business owner must agree to complete it. (Business counseling through the SBDC is free. Training courses are offered at a nominal fee).

Assuming successful completion of the Microenterprise Loan Program, business owners are invited to become business community mentors to help future program participants. Successful graduates are encouraged to meet quarterly for one year following the approval of their loan.

Loan Assistance

Microenterprise loans are available to assist businesses with the acquisition of land, buildings, equipment, furnishings, construction, lease-holder improvements, and working capital.

Loans are offered at 75% of prime rate at the time of loan approval, with a payback of 1 to 10 years, prorated according to the amount borrowed. Microenterprise loans range from \$5,000 to \$35,000 per loan.

If the loan will fund interior or exterior construction totaling over \$2,000, the construction contracts are subject to Federal Davis-Bacon Labor Standards and Minimum Wage Rates.

ELIGIBILITY REQUIREMENTS

In order to be considered for financing through the Newton Microenterprise Loan Program, applicants must meet the following requirements:

- Business must be a for-profit enterprise located (or planning to locate) in Newton. Businesses operating out of a residence are eligible.
- Enterprise must be current with all city, state and federal financial obligations, including taxes.
- Enterprise owner must qualify as a low- or moderate-income individual (see table below),
OR
Owner must be willing to create a full-time, permanent, living wage job(s) to be filled by a low- to moderate-income individual. Applicants are encouraged, where feasible, to create jobs for homeless persons, unemployed persons, welfare recipients, public housing residents, or persons with disabilities.
- Business must be comprised of 5 or fewer employees, including the owner at the time of application submission.

APPROVAL CRITERIA

Loans will be reviewed by the Economic Development Advisory Committee (EDAC), a volunteer group of bankers, business professionals and owners, and human service agency representatives. Approval will be based on a number of factors including the following:

STRENGTH OF BUSINESS

- Strength of business plan
- Business skills and experience of business owner(s)
- Repayment ability
- Available collateral
- Equity participation; return on equity
- Acceptable financials and projections
- Reasonable costs and financial feasibility

CREDIT

- Satisfactory business and personal credit history
- Acceptable risk

PUBLIC BENEFIT

In the case of the job creation: The number of required jobs to be filled by low- to moderate-income persons is the greater amount of two formulas: a) one LMI job per \$35,000 borrowed, or b) 51% of the total number of new jobs must be filled by LMI persons. All jobs should be suitable for and made available to low- and moderate-income individuals, with preference going to Newton residents.

OR

Owner must meet income guidelines set by the US Department of Housing and Urban Development as shown in the chart below. Applicants can look at their Adjusted Gross Income as listed on their tax returns.

Federal Income Limits for CDGB Low/Moderate Income Status, 2011		
Family Size (Persons)	"Low" Income Limit (50% of Area Median)	"Moderate" Income Limit (80% of Area Median*)
1	\$33,750	\$44,950
2	\$38,550	\$51,400
3	\$43,350	\$57,800
4	\$48,150	\$64,200
5	\$52,050	\$69,350
6	\$55,900	\$74,500
7	\$59,750	\$79,650
8+	\$63,600	\$84,750
* The median income for a family of four persons in Newton is \$96,500. However, the 80% level is capped by the U.S. family median income level. Data was taken from the 2009 American Community Survey.		

PUBLIC BENEFIT EVALUATION/DOCUMENTATION

The Newton Business Assistance Programs exist to provide a public benefit to low- and moderate-income persons. In order to ensure that these goals are being met, loan applicants must be evaluated thoroughly. The review includes scrutiny of personal financial statements, business financial statements, and the applicant's intentions for job creation. Furthermore, loan recipients must submit periodic reports throughout the course of the loan period proving that they are complying with federal standards.

LOAN REVIEW PROCESS

The loan review process can take anywhere from 5-10 weeks from the time an application is submitted to the time the loan is approved. Please be advised that this is a public process and it does take longer than commercial lending. Staff will make every effort to ensure the timely review of loan applications and execution of funds.

The timeline for loan review is as follows:

- 1-2 weeks for staff review for compliance.
- 1-2 weeks for underwriting and review by financial consultant or EDAC member.
- 1-3 weeks for approval by the EDAC.
- 2-3 weeks to close on the loan and disperse funds.

APPLICATION SUBMITTAL

For further information regarding the program, please contact Danielle Bailey at (617) 796-1139 or email microloan@newtonma.gov. Applications can also be accessed online at www.newtonma.gov/microloan.

Complete application packets may be sent to: Danielle Bailey, Community Development Planner, Housing and Community Development Division, 1000 Commonwealth Avenue, Newton, MA 02459.

The Business Loan Programs are federally funded by the City's Community Development Block Grant and administered by the Community Development Program. Applicants must give assurance of compliance with Section 112 and 113 of Volume 13 of the Code of Federal Regulations prohibiting discrimination on the grounds of race, color, sex, marital status, handicap, age, or national origin.